schlott gruppe

AKTIENGESELLSCHAFT

INTERIM REPORT II 2003/04

REPORT ON THE FIRST SIX MONTHS AND THE SECOND QUARTER AS OF MARCH 31, 2004

Q II

INTERIM REPORT II 2003/04

OF SCHLOTT GRUPPE AG

REPORT ON THE FIRST SIX MONTHS AND THE SECOND QUARTER AS OF MARCH 31, 2004

- *Substantial EBT swing of +€6.5 million and above-par results in Q2 2003/4*
- *Comprehensive debt-reduction measures initiated; debt reduction by €12.3 million in Q2*
- *Introduction of additional financial indicators to enhance transparency*

KEY FINACIALS OF THE GROUP AS AT MARCH 31, 2004

IN M€; *IAS/IFRS, unaudited*	Q II 2003/04	% share	Q II 2002/03	% share	H I 2003/04	% share	H I 2002/03	% share
Sales	133.1	96.4	142.1	99.3	293.6	98.2	313.5	97.6
Total output	138.1	100.0	143.1	100.0	298.9	100.0	321.3	100.0
EBITDA	13.6	9.8	6.8	4.8	31.8	10.7	30.9	9.6
EBITA	4.7	3.4	(2.0)	–1.4	13.9	4.7	12.6	3.9
EBIT	3.4	2.5	(3.1)	–2.2	11.4	3.8	10.5	3.2
EBT	0.3	0.1	(6.2)	–4.3	6.4	2.1	4.4	1.3
Consolidated net profit	(0.6)	–0.5	(3.6)	–2.5	2.5	0.8	0.8	0.2
Earnings per share *in €*	(0.09)	—	(0.67)	—	0.41	—	0.13	—
Headcount *(reporting date)*	4.318	—	4.444	—	4.318	—	4.444	—

IN M€; *IAS/IFRS, unaudited*	31.03.04	% share	31.03.03	% share	30.09.03	% share
Fixed assets	423.2	82.7	406.6	80.0	430.7	78.2
Goodwill	85.5	16.7	75.4	14.8	88.4	16.1
Current assets	84.9	16.6	99.4	19.5	116.0	21.1
Trade receivables	41.3	8.1	52.0	10.2	64.5	11.7
Cash and cash equivalents	4.0	0.8	3.1	0.6	2.9	0.5
Deferred tax assets	1.6	0.3	1.2	0.2	1.8	0.3
Prepaid expenses	2.2	0.4	1.3	0.3	2.0	0.4
Equity	122.0	23.8	123.1	24.2	125.5	22.8
Liabilities	355.4	69.4	358.0	70.4	388.7	70.6
Provisions	70.9	13.8	73.5	14.4	77.0	14.0
Liabilities to banks	224.2	43.8	220.0	43.3	221.7	40.3
Trade payables	27.0	5.3	27.2	5.3	50.4	9.2
Deferred tax liabilities	30.6	6.0	21.8	4.3	31.5	5.7
Deferred income	3.9	0.8	5.6	1.1	4.8	0.9
Balance sheet total	511.9	100.0	508.5	100.0	550.5	100.0

LETTER TO SHAREHOLDERS

— DEAR SHAREHOLDERS AND READERS

We are on track for success! Our EBT forecast for the full financial year has been further underpinned by the Company's performance in the second quarter. Recent corporate streamlining created a solid foundation for growth, while a slight upturn in the market provided the necessary forward momentum. Undaunted by a second quarter that is usually weaker in relation to the year as a whole, we recorded a palpable improvement in capacity utilization and a significant increase in earnings compared with the same period a year ago.

There can be little doubt: these accomplishments are a strong incentive, and we are primed for future action. For us, change is an ongoing process and an essential part of targeted progression. Committed to excellence, we therefore intend to integrate the full range of finishing services associated with our *direct marketing* business unit into a separate entity, together with the postpress activities of our *high performance printing* division. Thus, our highly successful model of centralized capacity planning within the area of gravure printing will also be applied to finishing.

We are also committed to progress when it comes to communicating with the capital markets. In order to enhance the transparency of our reporting activities, we have introduced the concept of "value added sales", which is to be applied to the Group and the respective business units from this quarterly report onward. "Value added sales" is calculated on the basis of revenue, including changes in inventories and work performed by the enterprise and capitalized, less raw materials, i.e. mainly paper, and bought-in services. As a financial indicator, value added sales is designed to provide a more detailed account of the Company's actual operating performance.

In view of our solid performance in the first six months, coupled with the on-target reduction in liabilities, the encouraging level of capacity utilization in the current third quarter, and the support of a dedicated team, we can look ahead to the immediate future with renewed confidence

MAY 13, 2004

THE MANAGEMENT BOARD

BUSINESS DEVELOPMENT

— BUSINESS ENVIRONMENT

- *German economy slow out of the starting blocks in 2004*
- *Advertising sector forecasts sales growth in 2004*

The German economy remained decidedly sluggish in the first three months of 2004. According to the economic indicators published by the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung – DIW), real GDP recorded a quarter-on-quarter increase of just 0.2 percent in the period from January to March 2004. This was comparable with the growth rates seen in the third and fourth quarters of 2003. Yet again, restrained public-sector spending and private consumption proved detrimental to economic growth in Germany. Forecasts for 2004 as a whole are slightly more optimistic. The International Monetary Fund (IMF) estimates that the German economy will grow by 1.6 percent. In a similar vein, Germany's six leading economic research institutes forecast GDP growth of 1.5 percent for Germany in their latest official reports. The euro-zone as a whole is expected to grow by 1.6 percent. In contrast, economic growth in the EU accession states is predicted to be around 4.0 percent, thus propelling the 25 members of the enlarged European Union to 2.0 percent growth in 2004.

Compared with the rather uninspired levels recorded in the previous year, gross advertising expenditure in Germany rose by 7.0 percent to € 4.1 billion in the first three months of 2004. According to Nielsen Media Research, newspapers and television broadcasting were the main driving forces behind growth in this sector. Large-circulation magazines and specialist journals grew by 4.2 and 0.3 percent respectively. According to Nielsen, growth in advertising expenditure for the year as a whole is likely to fall short of the seven percent achieved in the first quarter.

A recent survey published by the GWA, an association representing the interests of communications agencies based in Germany, reveals a more upbeat forecast for the advertising sector; the majority of agencies believe that the industry as a whole will see an increase in revenues – after three years in the doldrums. This is mainly attributable to increased advertising budgets. The GWA has forecast growth of around two percent.

In contrast, Germany’s Bundesverband Druck und Medien – an association for the printing and media industries – believes that capital expenditure will remain tentative. Having said that, sales are expected to rise by one to two percent, thus providing the industry as a whole with a much-needed boost following a lean spell dating back to 2000. Having suffered severely at the beginning of the year, the association’s business climate index, which captures market opinion, regained its footing in April.

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— EMPLOYEES AND HR MANAGEMENT

- *Measures aimed at staff downsizing remain on target*
- *Advanced training supervised by senior management*

The process of consolidating staff structures continued unabated in the second quarter of the current financial year. Staff restructuring measures implemented in the previous financial year continued to have an effect on activities in the second quarter, as statutory periods of notice as well as terminated part-time employment contracts for staff approaching retirement age extended into the current financial year. As a result, the headcount declined from 4,380 at September 30, 2003, to 4,318 at March 31, 2004. Relocation to our new Nuremberg facility was accompanied by gradual adjustments to staffing levels. Within this context, the main focus was on gravure printing operations. In addition, the level of temporary work at meiller Group companies was reined back substantially in the period under review.

We remain fully committed to staff training, thus actively promoting the idea of continuous on-the-job learning and career advancement. Our own senior management team and HR professionals provide the necessary expertise as mentors and trainers, the prime objective being to impart specific knowledge and skills in a targeted manner.

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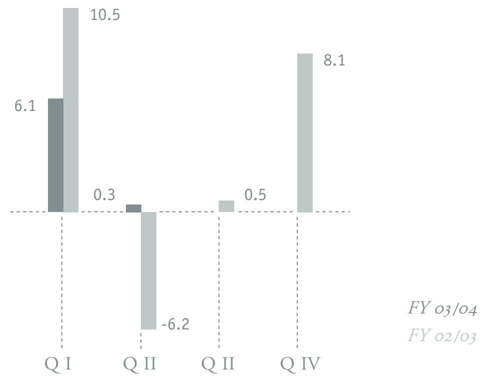
DEVELOPMENT OF CONSOLIDATED QUARTERLY EBT

in m €



Decline of EBT in Q1 versus previous year only due to lower other operating income

— FINANCIAL PERFORMANCE

- *Decline in sales due to substantial increase in paper-provision ratio from 52.6 % to 69.2 % in Q2 and from 60.3 % to 71.8 % in 6M*
- *Value added sales introduced as key indicator to enhance transparency and outline level of operational achievement*
- *Year-on-year increase in tonnage of 12.2 % in Q2 and 6.4 % in 6M*
- *6M-EBT propelled from € 4.4 million to € 6.4 million despite budgeted reduction in other operating income of € 6.7 million*

schlott gruppe succeeded in emulating its early achievements in the 2003/4 financial year by securing a substantial increase in capacity utilization in the second quarter. Compared with the same period a year ago, aggregate tonnage processed rose by 12.2 % to 126.2k, up from 112.5k metric tons; over the first six months, the Company processed 285.9k metric tons – an increase of 6.4 %. Operating within a lackluster economic environment, we thus succeeded in accelerating the volume of output. Our principal business unit, high performance printing, reaped the rewards of this upturn.

In the period under review, the paper-provision ratio, i.e. the proportion of paper procured by clients themselves, rose substantially from 52.6 % to 69.2 %. In turn, the share of paper purchased by the Company on own account, thus contributing to revenue, declined. As a direct consequence of these developments, the palpable improvement seen within the area of capacity utilization had no impact on revenue. In the second quarter from January to March, revenue amounted to € 133.1 million (Q2 2002/3: € 142.1 million), while revenue generated for the first six months as a whole stood at € 293.6 million (6M 2002/3: € 313.5 million).

In terms of net profit, paper constitutes a transitory item and thus has no impact on the progression of business or financial performance. In order to address this issue effectively, an adjustment of revenue reported is deemed appropriate, in particular one that takes account of paper purchased by clients, which is an area beyond our scope of influence. Moreover, an indicator that captures our actual operating achievements is considered to be more conducive to detailed financial analysis.

In order to enhance the transparency of our reporting activities, we have introduced the concept of "value added sales", which is to be applied to the Group and the respective business units from this quarterly report onward. Value added sales are calculated on the basis of revenue, including changes in inventories and work performed by the enterprise and capitalized, less raw materials, i.e. mainly paper, and bought-in services (cf. table on page 27).

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To a certain extent, value added sales as a financial indicator corresponds to our internal controlling instrument based on gross operating profit. In the second quarter, value added sales grew by 5.8% to € 79.1 million year on year. In the first six months of the financial year, they increased by 2.7% to € 170.4 million.

schlott gruppe's financial results are no longer influenced by exceptional factors, thus providing an improved basis for the presentation of a true and fair view of our operating performance. However, when comparing this year's key financials with those of the previous year, one must take into account several non-recurring items, particularly within the area of other operating income. As the result of machine fires, the effects of applying IAS/IFRS, and a far-reaching corporate optimization program, which has now been concluded, this item was particularly high in previous years. However, it is expected to return to a more sustainable level over the course of the current financial year, i.e. significantly lower than the figure of € 29.7 million reported in the previous financial year. In the first half of the 2003/4 financial year, other operating income totaled € 7.0 million, in contrast to € 13.7 million in the same period a year ago.

Against this background, the 47% increase in earnings before taxes (EBT) to € 6.4 million in the first six months and the pronounced swing from minus € 6.2 million to plus € 0.3 million in the second quarter are all the more impressive: the increase in earnings is attributable to an improvement in our operating activities. Pre-tax profits for the January/March quarter, which is usually considered to be less buoyant, were above par.

As regards expense items, one of the most noticeable developments is to be found within the area of raw materials. Owing to the low volume of paper purchased, the ratio for this expense item continued to decline in the second quarter (also compared with Q1), weighing in at just 30.9%, as opposed to 37.1% in the same period a year ago. Staff costs – as a significant component of fixed costs – remained stable year on year, despite a tonnage increase of more than 12% in the quarter under review. In absolute terms, other operating expenses fell below the level recorded in the same period a year ago, among other things as a result of reduced administrative expenses.

Depreciation and amortization expense amounted to € 8.9 million in the quarter under review. As regards the first six months, this item was slightly lower than that reported for the same period a year ago. Goodwill amortization in the second quarter was comparable to that in the first quarter of the current financial year. As a result of the final valuation of the broschek group for the purposes of the annual financial statements for 2002/3 – and the thus resulting increase in carrying amounts –, this item had increased slightly from € 1.1 million to € 1.3 million in the second quarter.

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Pressure on earnings was alleviated considerably by the net financial result for the first six months of the current financial year. Within this area, expenses decreased from € 6.1 million in the previous year to € 5.0 million in 2003/4. While interest expense was reined back by approx. € 0.6 million, foreign currency gains – particularly in Q1 – also had a positive effect; to a certain extent, this was counteracted by developments in the second quarter. All foreign currency transactions are tied closely to operating activities. Incoming orders are hedged as soon as they are accounted for in our order books. If the exchange rate moves against us, we lose the earnings contributions associated with the order but generate the same volume of income from the hedge.

The tax rate for the first half of the current financial year stood at 43.4 %, in contrast to 55.3 % for the same period a year ago (income taxes in percent of EBT before goodwill amortization). In line with our forecasts, this points to exponential growth in net profit for the financial year as a whole – it will substantially outstrip projected EBT growth of 50 %. Consolidated net profit amounted to € 2.5 million in the first half of the current financial year, in contrast to € 0.8 million in the same period a year ago. The consolidated net loss for the second quarter stood at € 0.6 million, after a consolidated net loss of € 3.6 million posted for the same period a year ago.

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— DIVITIONAL REPORT

- *high performance printing energizes business performance in Q2*
- *direct marketing stabilizes*
- *Successful method of centralized capacity planning for gravure printing facilities now extended to finishing*

Segment reporting comprises the business units *high performance printing, direct marketing,* and *digital services,* as well as *corporate services.* The latter covers the full range of activities associated with the service enterprises, including the holding company. Revenues and earnings generated by corporate services are derived solely from the internal charging of services as well as cost allocation. Accordingly, this area will not be covered in detail as part of segment reporting.

Divitional report for the period january 1 to March 31, (IAS/IFRS, unaudited)

	high performance printing		direct marketing		digital services		corporate services/ Holding		Summe		Überleitung		Konzern	
IN M€	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03
Sales	104.6	113.9	29.1	28.1	1.2	1.3	3.1	3.3	138.0	146.6	(4.9)	(4.5)	133.1	142.1
Value-added sales	60.0	n.a.	18.0	n.a.	1.1	n.a.	0.0	n.a.	79.1	—	0.0	—	79.1	—
EBIT	3.4	(2.1)	1.5	1.2	(0.3)	(0.6)	(0.2)	(0.4)	4.4	(1.9)	(1.0)	(1.2)	3.4	(3.1)
St. interest result	(0.2)	(0.5)	(0.2)	(0.2)	(0.1)	0.0	(0.3)	0.1	(0.8)	(0.6)	0.1	(0.3)	(0.7)	(0.9)
Divitional earnings	3.2	(2.6)	1.3	1.0	(0.4)	(0.6)	(0.5)	(0.3)	3.6	(2.5)	(0.9)	(1.5)	2.7	(4.0)
Lt. interest result	(0.9)	(0.9)	(0.1)	(0.1)	0.0	0.0	(0.9)	(1.2)	(1.9)	(2.2)	0.0	0.0	(1.9)	(2.2)
Currency gains/losses	0.1	0.0	(0.6)	0.0	0.0	0.0	0.0	0.0	(0.5)	0.0	0.0	0.0	(0.5)	0.0
EBT	2.4	(3.5)	0.6	0.9	(0.4)	(0.6)	(1.4)	(1.5)	1.2	(4.7)	(0.9)	(1.5)	0.3	(6.2)

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Divitional report for the first half year from October, 1 to March, 31 (IAS/IFRS, unaudited)

	high performance printing		direct marketing		digital services		corporate services/ Holding		Summe		Überleitung		Konzern	
IN M€	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03
Sales	233.1	251.5	60.9	61.6	2.7	2.5	6.2	6.6	302.9	322.2	(9.3)	(8.7)	293.6	313.5
Value-added sales	131.3	n.a.	36.9	n.a.	2.2	n.a.	0.0	n.a.	170.4	—	0.0	—	170.4	—
EBIT	11.9	11.2	2.9	4.6	(0.4)	(0.7)	(0.8)	(1.2)	13.6	13.9	(2.2)	(3.4)	11.4	10.5
St. interest result	(0.5)	(1.0)	(0.5)	(0.5)	(0.1)	0.0	(0.7)	0.0	(1.8)	(1.5)	0.1	(0.3)	(1.7)	(1.8)
Divitional earnings	11.4	10.2	2.4	4.1	(0.5)	(0.7)	(1.5)	(1.2)	11.8	12.4	(2.1)	(3.7)	9.7	8.7
Lt. interest result	(1.9)	(1.9)	(0.1)	(0.1)	0.0	0.0	(1.7)	(2.5)	(3.7)	(4.5)	0.0	0.0	(3.7)	(4.5)
Currency gains/losses	0.9	0.1	(0.5)	0.1	0.0	0.0	0.0	0.0	0.4	0.2	0.0	0.0	0.4	0.2
EBT	10.4	8.4	1.8	4.1	(0.5)	(0.7)	(3.2)	(3.7)	8.5	8.1	(2.1)	(3.7)	6.4	4.4
Headcount (reporting date)	2,735	2,874	1,410	1,382	60	67	113	121	4,318	4,444	—	—	4,318	4,444

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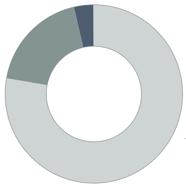
SALES BREAKDOWN OF HIGH PERFORMANCE PRINTING IN INTERIM REPORT I 2003/04

100 percent = 233.0 m €



Sales generated by the high performance printing segment in the period under review totaled € 104.6 million, thus falling short of the € 113.9 million posted in the same period a year ago; the first six months produced revenue of € 233.1 million, after € 251.5 million in the same period a year ago. As outlined in the previous sections, this was attributable to the higher paper-provision ratio.

Output in metric tons and capacity utilization increased year on year, both for the quarter and the first half under review. Value added sales, as a key determinant of profit, amounted to € 131.3 million in the first half and € 60.0 million in the second quarter. There are no comparative figures within the respective segments for this newly introduced financial indicator.

The proportion of revenue generated by the individual areas of operation within the *high performance printing* unit remained virtually unchanged year on year. At 77.8 %, gravure printing accounted for the principal share, while offset printing and finishing contributed around 18.7 % and 3.6 % respectively.

Gravure printing also proved to be the main source of profit within the *high performance printing* unit and the Group as a whole. Furthermore, the recent optimization program implemented throughout the Group has produced tangible improvements within the area of offset printing. Indeed, offset printing has been enjoying the benefits of this incisive action plan since the beginning of the current financial year. It is currently operating beyond the break-even point, thus improving significantly on last year's performance.

Earnings before interest and taxes (EBIT) in the *high performance printing* segment amounted to € 3.4 million for the quarter under review, in contrast to a loss before interest and taxes of € 2.1 million posted for the same period a year ago. Segment EBIT for the first six months of the financial year was € 11.9 million (6M 2002/3: € 11.2 million), which was all the more impressive when one considers that the € 6.7 million decline in other operating income for the Group as a whole is attributable chiefly to the *high performance printing* segment.

Buoyed by the improved net financial result, segment EBT was propelled upward by approx. 25 % in the first half, thus taking this figure from € 8.4 million to € 10.4 million; foreign currency gains accounted for € 0.9 million (previous year: € 0.1 million). As regards accounting policy, it should be noted that the negative effects of foreign currency translation have a direct impact on segment EBIT. However, in accordance with the recommendations put forward by Deutsche Börse AG, foreign currency hedging is accounted for in the net financial result. The significant increase in the segment result is due to the higher level of capacity utilization compared with the previous year. In fact, the actual improvement in terms of operations more than compensates for the decline in other operating income: adjusted for this effect, first-half EBT doubled year on year.

This trend clearly supports our projections for the latest quarter, namely that we stand to benefit substantially even from the slightest economic recovery: every additional ton of capacity translates into above-average contribution margins due to the fact that our variable costs are low. The successful streamlining of cost structures is also evidenced by the overall headcount for this segment. As opposed to 2,874 staff members employed within this area in Q2 2002/3, the current headcount at the end of Q2 2003/4 stands at 2,735.

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After a tentative start to the financial year, the *direct marketing* segment showed signs of stabilization in the subsequent period. Whereas the level of forward momentum generated in the first quarter was not quite enough to scale the heights of previous periods, the second quarter succeeded in producing a year-on-year increase in revenue and an improvement in margins. Second-quarter revenue amounted to € 29.1 million, after 28.1 million in Q2 2002/3; revenue for the first half as a whole totaled € 60.9 million, in contrast to € 61.9 million for the same period a year ago.

Segment EBIT for the quarter, before foreign currency effects, rose significantly from € 0.9 million to € 1.2 million; the EBIT margin thus increased from 3.2% to 4.1% year on year. The non-cash effects associated with foreign currency resulted in a € 0.6 million reduction in EBT; despite an improved net financial result, EBT totaled € 0.6 million, thus falling short of the figure of € 0.9 million posted in the previous year. For the first six months, mainly due to a relatively subdued first quarter, segment EBIT amounted to € 2.9 million, after € 4.6 million in the previous year, while EBT stood at € 1.8 million, in contrast to € 4.1 million.

The stabilization of our *direct marketing* unit over the course of the second quarter stems from the positive bottom-line effects of relocating labor-intensive processes to our plant in the Czech Republic. Over the course of the 2002/3 financial year, we increased staffing levels at our facilities in the Czech Republic by 119, taking the total headcount to 390. In parallel, staff numbers were reduced by 159 at other locations. Following these significant changes to our HR structures as part of corporate streamlining, the total headcount in our *direct marketing* unit has now stabilized within the target range. At the end of the second quarter, 1,410 staff members (+10 compared with Q1) were employed in this segment, in contrast to 1,409 at the end of the full 2002/3 financial year and 1,382 at the end of Q2 2002/3.

Having said that, the level of growth and earnings achieved by direct marketing fell short of expectations. In reaction to this below-par performance, we initiated an incisive action plan in the second quarter of the current financial year. This will include the introduction of structures tailored specifically to our operating processes in this area. The rationale behind this move is to enhance cost-related transparency in the direct marketing segment, with the express purpose of subsequently unlocking productivity reserves. In addition, we intend to integrate the full range of finishing services associated with our *direct marketing* business unit into a separate entity, together with the postpress activities of our *high performance printing* unit. Thus, our highly successful model of centralized capacity planning within the area of gravure printing will also be applied to finishing-related activities throughout the Group.

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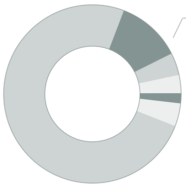
REGIONAL SALES BREAKDOWN IN THE FIRST HALF YEAR 2003/04

100 percent = 293.6 m €



The *digital services* segment developed satisfactorily in the first half of 2003/4. In line with targets, revenue increased from € 2.5 million to € 2.7 million. As in the past, we remain committed to a break-even performance. The loss before interest and taxes amounted to € 0.4 million in the first six months, a marked improvement on our performance in the previous year (6M 2002/3: loss of € 0.7 million). Staffing levels were cut back from 66 at the end of the 2002/3 financial year to 60 at the end of the period under review.

For the first time, this quarterly report includes a detailed overview of revenue generated by *schlott gruppe* in Germany and abroad, both for the current and previous financial year. There were no significant changes in our customer relations in the period under review. The strength of the euro has not proved conducive to sales activities beyond the euro-zone. However, business within our existing customer base remained solid in the second quarter. The year-on-year decline in revenue in these countries, which proved to be significant in some cases, was the result of two key factors. First, foreign sales are often associated with currency losses. These are fully covered by hedging instruments. In addition, in the case of a strong euro, the procurement of paper by customers – in the local currency – is more attractive financially than the supply and subsequent invoicing by schlott gruppe. Accordingly, with the exception of customer-specific decisions, the increased paper-provision ratio within the Group as a whole was mainly of relevance to foreign rather than domestic sales.

REGIONAL SALES BREAKDOWN

for the period October 1, 2003 to March 31, 2004 (previous year for comparison)

IN M€; *IAS/IFRS, unaudited*	Q II 2003/04	Q II 2002/03	H I 2003/04	H I 2002/03
Germany	98.5	99.4	219.8	217.2
Euroland, non-domestic	15.2	17.2	34.7	43.2
Great Britain	5.6	11.0	11.9	21.0
Schweden	4.8	4.0	9.6	9.1
Denmark	2.1	4.7	5.4	10.8
Other countries, non-domestic	6.9	5.8	12.2	12.2
Total	133.1	142.1	293.6	313.5

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— BALANCE SHEET, CASH FLOW AND CAPITAL EXPENDITURE

- *Substantial free cash flow of € 14.0 million, as budgeted, after dividend in second quarter*
- *Bank liabilities reined back by € 12.3 million in second quarter*
- *Sustained reduction in debt initiated in line with financial planning*

The visibly enhanced profitability of *schlott gruppe* is reflected in cash flow for the second quarter. Accordingly, cash flow before changes in working capital increased by € 2.9 million to € 10.5 million compared with Q2 2002/3. In contrast, a year-on-year decline of € 2.4 million to € 24.7 million was recorded for the first six months of the financial year as a whole. This was attributable to reversals of provisions.

In line with financial planning, the amount of capital tied up in current assets was reduced substantially over the course of Q2 2003/4, particularly as a result of lower trade receivables. This is due to the specific nature of our business: catalog-related business activities, which are particularly buoyant in the last quarter of the calendar year, are the source of substantial receivables at the end of December. These accounts outstanding are subsequently settled by our customers in the first quarter of the calendar year, i.e. the second quarter of *schlott gruppe's* financial year. Although the inflow of cash is always relatively high in the second quarter due to the seasonal nature of our business, net inflow increased substantially year on year. In the second quarter of the current financial year, cash inflow from the reduction in receivables exceeded last year's level by almost 20%. This clearly underlines schlott gruppe's solid position in terms of cash flow.

The first quarter of the current financial year was characterized by a marked reduction in trade payables of € 20.0 million, which had accumulated at the end of the previous financial year. These payables were covered by Company-generated cash resources. In the second quarter, this balance-sheet item developed in line with our business activities. Overall, net cash from operating activities increased significantly to € 25.3 million in the second quarter, up from € 22.1 million in the previous year. The first half of the 2003/4 financial year, which includes the first-quarter reduction in receivables, registered a slight decline from € 27.8 million (6M 2002/3) to € 25.9 million. After income taxes, cash flow from operating activities amounted to € 23.7 million in the second quarter, in contrast to € 21.7 million in the same period a year ago.

Capital expenditure on property, plant, and equipment amounted to € 5.8 million in the second quarter. Thus, for the first time investments within this area were reined back to a level that is significantly lower than in the previous year (€9.9 million). The reduction in capital expenditure over the course of Q2 2003/4 serves as proof that we intend to deliver on our promise of slashing net cash used in investing activities in 2003/4. Capital expenditure in the first six months of the current financial year totaled € 13.7 million, as opposed to € 18.1 million in the same period a year ago. Total capital expenditure for the 2002/3 financial year weighed in at € 47.9 million. In contrast, we have earmarked approx. € 25 million for the current financial year.

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Thus, additional capital expenditure over the remainder of the financial year is not expected to exceed the total volumes invested in the first six months. Overall, net cash used in investing activities amounted to € 4.9 million in the second quarter versus € 8.3 million. In the first six months of the current financial year, net cash used in investing activities was reined back by an impressive 59 % to € 12.7 million – after € 30.7 million in the same period a year ago, which had been dominated by cash outflow for acquisitions.

Coinciding with the inflow of receivables, a large proportion of short-term loans taken out in the first quarter was repaid over the course of the second quarter. Including annual dividend payments effected in March, net cash used in financing activities totaled € 19.4 million in Q2 2003/4, after € 14.7 million in Q2 2002/3. In the first six months, net cash used in financing activities amounted to € 8.5 million, after a net cash inflow of € 5.6 million recorded in the same period a year ago. The net increase in cash and cash equivalents was € 1.2 million in the first six months of the current financial year, in contrast to a net increase of € 0.8 million in the same period a year ago. Overall, these changes resulted in a € 38 million reduction in total assets compared with the financial year ended September 30, 2003. In contrast, total assets increased slightly by € 3.3 million to € 511.9 million compared with March 31, 2003.

Compared with a total of € 430.6 million at the end of the 2002/3 financial year, non-current assets remained virtually unchanged at € 423.1 million (goodwill amortization and write-downs on properties), whereas current assets declined markedly by 27 % compared with the financial year ended September 30, 2003, reducing the total figure by € 31.1 million to € 84.9 million. The level of funds committed within the area of current assets was substantially lower year on year: at the end of March 2004 this ratio stood at 16.6 % of total assets, after 21.1 % at the end of the 2002/3 financial year and 19.5 % as at March 31, 2003.

The reduction in total assets in conjunction with the net profit for the first half resulted in an increase in the Company's equity ratio from 22.8 % to 23.8 %. After dividend payments, equity totaled € 122.0 million at the end of March 2004, compared with € 125.5 million at the end of the 2002/3 financial year. Long-term borrowings were reduced from € 217.1 million to € 211.0 million. Short-term borrowings declined from € 171.6 million to € 144.5 million.

Overall, the debt-equity ratio (net debt in relation to equity) stood at 1.8 at the end of March 2004 and the end of Q1 2003/4, compared with 1.7 at the end of the 2002/3 financial year.

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— OUTLOOK

- *Second-quarter upturn in earnings provides solid basis for successful 2003/4 financial year*
- *Forward momentum in earnings looks set to continue in coming quarters*
- *Forecast of 50 % EBT growth for full financial year reaffirmed by management*

The second quarter of the current financial year produced results which were well within our target parameters, thus emulating the solid performance seen in the first quarter. At the end of the first half, earnings before taxes were an impressive € 2.0 million higher than in the same period a year ago. There can be little doubt that this is an admirable performance, particularly when one considers that we had to contend with substantially lower other operating income in the first quarter of the current financial year compared with the same period a year ago.

Boasting a year-on-year increase, our order backlog for the current third quarter is considered to be very satisfactory. In the previous financial year, below-par results in the second quarter meant that we had to wait until the third quarter to breach the break-even threshold, and even then our bottom-line result was rather tenuous. This year's third quarter will provide the basis for earnings performance that is in keeping with our normal progression of business. As a result, Q3 2003/4 will be dominated by a substantial year-on-year increase in earnings.

On this basis, our EBT forecast of approx. € 20 million for the full 2003/4 financial year would appear to be tenable. Indeed, we are confident that *schlott gruppe* will achieve its target of 50% growth in EBT. Benefiting from a sustained reduction in our tax rate, earnings per share look set to record a growth rate that is even more substantial.

In parallel, we will meet our target of € 30 million in free cash flow, after dividends, which is to be used to reduce debt. Equipped with a formidable game plan, we are committed to bolstering our financial position and our share price, as reflected in our enterprise value and price-earnings ratio.

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THE SHARE

OF SCHLOTT GRUPPE AG

- *schlott gruppe confirmed as outperformer following significant increase in share price with higher trading volumes*
- *Deutlich intensivierte Kapitalmarktkommunikation steigert die Aufmerksamkeit des Marktes*

schlott gruppe's share price increased by 63 % in the first six months of the 2003/4 financial year, i.e. in the period from the beginning of October to the end of March. In doing so, our shares outperformed the benchmark SDAX Price Index. The latter only managed to grow by approx. 21 % over the same period. We are also encouraged by the significant growth in trading volume which accompanied the upturn in share prices. In the first six months, the average daily trading volume was approx. 6,800 shares, while the equivalent trading figure for the last three months stood at 8,500. In contrast, our average daily trading volume in the 2002/3 financial year amounted to approx. 2,400 shares.

This heightened level of market awareness bears testimony to our improved earnings and our excellent prospects for the future. There can be little doubt that favorable corporate news and, in particular, the “home-grown” turnaround in earnings performance gave fresh impetus to our shares.

Positive market sentiment is also the result of extensive communication with investors, not only in Germany but also abroad. This includes timely and comprehensive presentations relating to the company and its business activities within the Investor Relations section of our corporate website, complemented by detailed reporting and analysis of financial performance as part of our annual and interim publications.

Number of shares as of Dec 31, 2003	6,190,020
Number of shares, entitled to dividend	6,190,020
Own shares	0
Last dividend	0.80 € per share as of March 18, 2004

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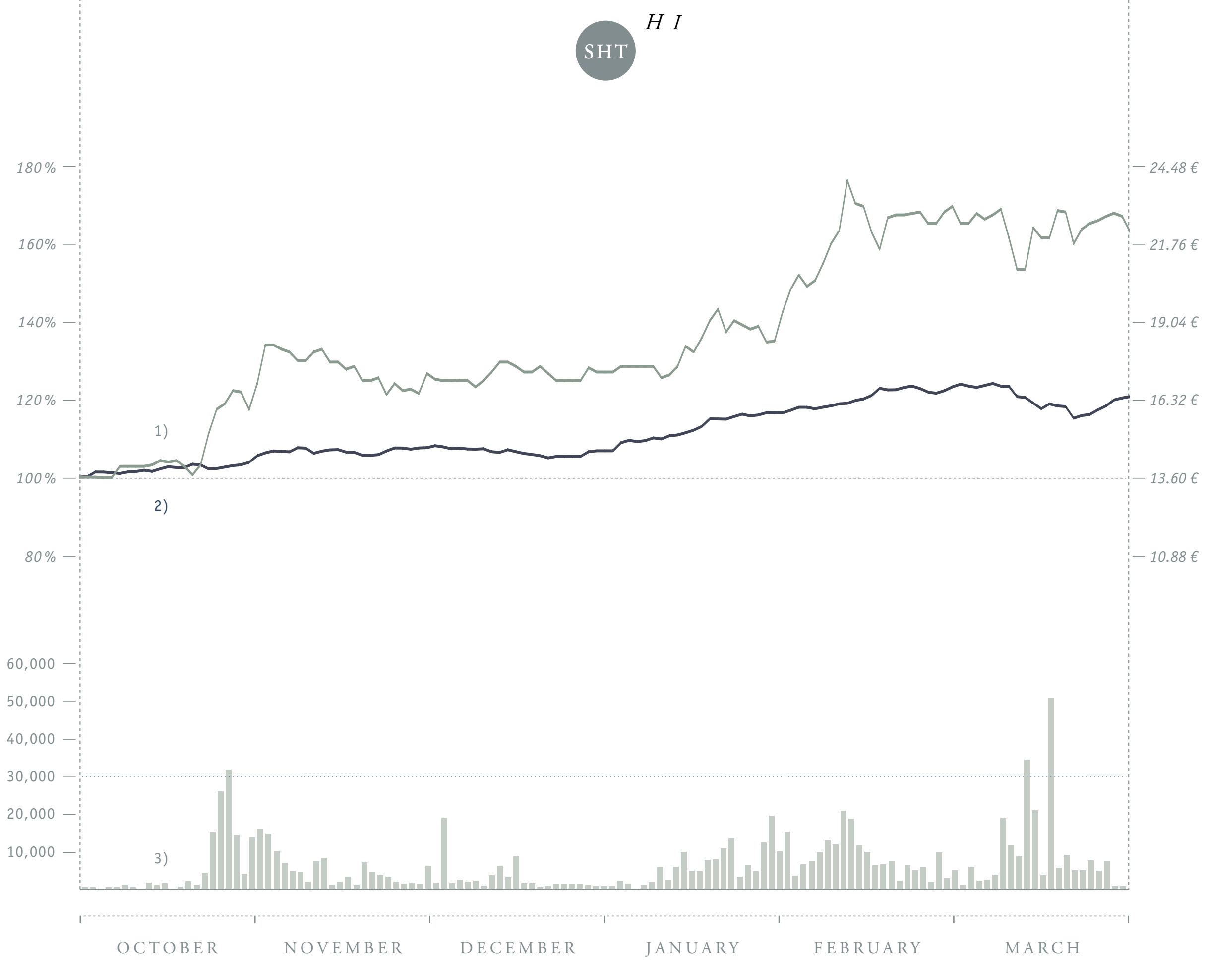
SCHLOTT GRUPPE AND SDAX | *October to March 2004*



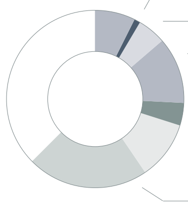
1) *schlott gruppe (XETRA) (1.10.2003 = 100)*

2) *SDAX Price Index (1.10.2003 = 100)*

3) *Number of shares traded (XETRA & Floor-Trading)*

SHAREHOLDER STRUCTURE AS OF MAY 13, 2004

based on 6,190,020 shares



Over the last six months, a number of tailor-made road shows aimed at presenting our corporate strategy also helped to raise our profile in the financial community. These events provided senior management with a suitable platform to present our investment case. The result: a number of favorable reports by stock market analysts and new contacts with investors based in the UK.

Our next goal is to reinforce our communication efforts and establish finely honed structures, with the express purpose of joining a benchmark index as one of Europe's leading players in gravure printing. We intend to position ourselves as a growth driver among the segment of dividend-oriented shares. Therefore, investors with a preference for a steady stream of income represent the key target group of our communications with the capital markets.

In the second quarter the following transactions according to section 15a of the German Securities Trading Act, WpHG, (Directors' Dealings) took place:

Name	*Function*	*Date of Transaction*	*Type*	*Number of shares*	*Price (€)*
S. Kiener	Member of Supervisory Board	January 9, 2004	Purchase	1,300	22,673.00
S. Kiener	Member of Supervisory Board	January 12, 2004	Purchase	240	4,176.00
S. Kiener	Member of Supervisory Board	January 13, 2004	Purchase	1,000	17,405.00
W. Kohm	Father of a Member Sup. Board	January 16, 2004	Purchase	20,000	370,000.00
W. Kohm	Father of a Member Sup. Board	January 22, 2004	Purchase	20,000	388,000.00
S. Kiener	Member of Supervisory Board	January 23, 2004	Purchase	3,000	56,760.00
S. Kiener	Member of Supervisory Board	January 26, 2004	Purchase	2,000	37,700.00
S. Kiener	Member of Supervisory Board	January 27, 2004	Purchase	1,190	22,312.50

For the complete notification please refer to *www.schlottgruppe.de*.

No stock options programme has been launched for members of the Executive Board and management. Notifications in accordance with section 25 of the German Securities Trading Act, WpHG, (change of voting stock) have not been received by the company in the first quarter.

The minimum holding period for pne third of the shares held by Nikolaus Broschek and Anja Schneckenburger-Broschek has expired. Two thirds are still locked-up until October 1, 2004 and 2005, respectively.

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CONSOLIDATED PROFIT AND LOSS STATEMENT (QUARTER)

for the period January 1 to March 31, 2004 (previous year for comparison)

IN K€; *IAS/IFRS, unaudited*	Q I 2003/04	% share	Q II 2003/04	% share	Q II 2002/03	% share	Chg. in % Q II yoy.
Sales	160,451	99.7	133,109	96.4	142,064	99.3	–6.3
Increase (or decrease) in finished goods and work in progress	(1,999)	–1.2	350	0.3	(3,458)	–2.4	—
Own expenses capitalized	0	0.0	6	0.0	0	0.0	—
Other operating income	2,404	1.5	4,613	3.3	4,449	3.1	3.7
Total output	160,856	100.0	138,078	100.0	143,055	100.0	–3.5
Cost of raw materials and supplies goods purchased	(50,923)	–31.7	(42,726)	–30.9	(53,056)	–37.1	–19.5
Cost of services purchased	(16,183)	–10.1	(11,684)	–8.5	(10,854)	–7.6	7.6
Staff costs	(53,915)	–33.5	(49,365)	–35.8	(49,368)	–34.5	0.0
Other operating expenses	(21,608)	–13.4	(20,721)	–15.0	(22,934)	–16.0	–9.6
EBITDA	18,227	11.3	13,582	9.8	6,843	4.8	98.5
Scheduled depreciation / amortization expense	(9,001)	–5.6	(8,886)	–6.4	(8,890)	–6.2	0.0
EBITA	9,226	5.7	4,696	3.4	(2,047)	–1.4	—
Goodwill depreciation	(1,278)	–0.8	(1,278)	–0.9	(1,074)	–0.8	19.0
EBIT	7,948	4.9	3,418	2.5	(3,121)	–2.2	—
Income from investments	0	0.0	0	0.0	0	0.0	0.0
Income from / expenditure on financial assets carried at equity	0	0.0	56	0.0	(127)	–0.1	—
Expense from absorption of loss	0	0.0	0	0.0	0	0.0	0.0
Exchange-rate gains / losses	874	0.5	(489)	–0.4	40	0,0	—
Other interest and similar income	53	0.0	64	0.0	44	0,0	45.5
Write-downs on financial assets and securities held as current assets	0	0.0	0	0.0	0	0.0	0.0
Interest and similar expenses	(2,767)	–1.7	(2,748)	–2.0	(3,009)	–2.1	–8.7
Net financial results	(1,840)	–1.1	(3,117)	–2.4	(3,052)	–2.1	2.1
EBT	6,108	3.8	301	0.1	(6,173)	–4.4	—
Income tax expense	(2,998)	–1.9	(897)	–0.6	2,584	1.8	—
Extraordinary income / expenses	0	0.0	0	0.0	0	0.0	0.0
Net profit	3,110	1.9	(596)	–0.5	(3,589)	–2.6	—
Minority interests	1	0.0	2	0.0	2	0.0	0.0
Consolidated net profit	3,111	1.9	(594)	–0.5	(3,587)	–2.6	—

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CONSOLIDATED PROFIT AND LOSS STATEMENT (FIRST HALF)

for the period January 1 to March 31, 2004 (previous year for comparison)

IN K€; *IAS/IFRS, unaudited*	H I 2003/04	% share	H I 2002/03	% share	Chg. in % Q II yoy.
Sales	293,560	98.2	313,533	97.6	–6.4
Increase (or decrease) in finished goods and work in progress	(1,649)	–0.6	(5,876)	–1.8	–71.9
Own expenses capitalized	6	0.0	0	0.0	—
Other operating income	7,017	2.4	13,687	4.2	–48.7
Total output	298,934	100.0	321,344	100.0	–7.0
Cost of raw materials and supplies goods purchased	(93,649)	–31.3	(114,630)	–35.7	–18.3
Cost of services purchased	(27,867)	–9.3	(27,064)	–8.4	3,0
Staff costs	(103,280)	–34.5	(104,029)	–32.4	–0.7
Other operating expenses	(42,329)	–14.2	(44,771)	–13.9	–5.5
EBITDA	31,809	10.7	30,850	9.6	3.1
Scheduled depreciation / amortization expense	(17,887)	–6.0	(18,248)	–5.7	–2.0
EBITA	13,922	4.7	12,602	3.9	10.5
Goodwill depreciation	(2,556)	–0.9	(2,133)	–0.7	19.8
EBIT	11,366	3.8	10,469	3.2	8.6
Income from investments	0	0.0	0	0.0	0.0
Income from / expenditure on financial assets carried at equity	56	0.0	(225)	–0.1	—
Expense from absorption of loss	0	0.0	0	0.0	0.0
Exchange-rate gains / losses	385	0.1	179	0.1	115.1
Other interest and similar income	118	0.0	109	0.0	8.3
Write-downs on financial assets and securities held as current assets	0	0.0	(64)	0.0	—
Interest and similar expenses	(5,515)	–1.8	(6,096)	–1.9	–9.5
Net financial results	(4,956)	–1.7	(6,097)	–1.9	–18.7
EBT	6,410	2.1	4,372	1.3	46.6
Income tax expense	(3,895)	–1.3	(3,599)	–1.1	8.2
Extraordinary income / expenses	0	0.0	0	0.0	0.0
Net profit	2,515	0.8	773	0.2	225.2
Minority interests	3	0.0	5	0.0	–40.0
Consolidated net profit	2,518	0,8	778	0.2	223.5

CONSOLIDATED BALANCE SHEET

as of March 31, 2004 (previous year for comparison)

ASSETS IN K€; *IAS/IFRS, unaudited*	March 31, 2004	% share	March 31, 2003	% share	Sept. 30, 2003	% share
Fixed assets	423,148	82.7	406,601	80.0	430,634	78.2
Goodwill	85,541	16.7	75,448	14.8	88,445	16.1
Other intangible assets	1,622	0.3	1,698	0.3	1,967	0.4
Property, plant and equipment	322,324	63.0	312,306	61.5	323,470	58.7
Financial assets reported at equity	56	0.0	20	0.0	0	0.0
Other financial assets (shares in affiliated companies and shares in other companies)	267	0.1	332	0.1	267	0.0
Loans	1,050	0.2	1,050	0.2	1,050	0.2
Deferred taxes	0	0.0	0	0.0	0	0.0
Property held as financial investments	12,288	2.4	15,747	3.1	15,435	2.8
Current assets	84,936	16.6	99,411	19.5	116,017	21.1
Inventories	25,486	5.0	22,638	4.5	27,296	5.0
Trade receivables	41,332	8.1	51,968	10.2	64,470	11.7
Receivables due from related parties	0	0.0	160	0.0	0	0.0
Tax reimbursement claims	6,316	1.2	8,214	1.6	6,101	1.1
Other assets	7,756	1.5	13,297	2.6	15,285	2.8
Other securities	0	0.0	0	0.0	0	0.0
Cash and cash equivalents	4,046	0.8	3,134	0.6	2,865	0.5
Deferred assets	1,585	0.3	1,229	0.2	1,771	0.3
Prepaid expenses	2,209	0.4	1,293	0.3	2,031	0.4
	511,878	100.0	508,534	100.0	550,453	100.0

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CONSOLIDATED BALANCE SHEET

as of March 31, 2004 (previous year for comparison)

EQUITY AND LIABILITIES

IN K€; *IAS/IFRS, unaudited*	March 31, 2004	% share	March 31, 2003	% share	Sept. 30, 2003	% share
Equity	121,958	23.8	123,091	24.2	125,472	22.8
Issued capital	18,570	3.6	16,351	3.2	18,476	3.4
Share premium	58,353	11.4	60,046	11.8	58,133	10.6
Retained earnings	12,448	2.4	12,062	2.4	12,338	2.2
Treasury stock	0	0.0	0	0.0	0	0.0
Revaluation reserve	(1,680)	-0.3	1,879	0.4	(162)	0,0
Unappropriated surplus	34,287	6.7	32,780	6.4	36,704	6.7
Minority interests	(20)	0.0	(27)	0.0	(17)	0.0
Long-term liabilities	210,950	41.2	219,593	43.3	217,112	39.4
Interest-bearing debt / liabilities to banks	170,830	33.4	179,934	35.4	176,756	32.1
Leasing liabilitie	1,774	0.3	2,305	0.5	2,247	0.4
Deferred taxes	0	0.0	0	0.0	0	0.0
Pension provisions	22,520	4.4	22,214	4.4	22,327	4.1
Other provisions	3,926	0.8	3,180	0.6	3,399	0.6
Other liabilities	11,900	2.3	11,960	2.4	12,383	2.2
Short-term liabilities	144,495	28.2	138,407	27.1	171,623	31.2
Interest-bearing debt / liabilities to banks	53,394	10.4	40,078	7.8	44,980	8.2
Current component of leasing liabilities	0	0.0	0	0.0	0	0.0
Advance payments received on orders	375	0.1	1,972	0.4	979	0.2
Trade payables	26,994	5.3	27,184	5.3	50,370	9.2
Liabilities to affiliated companies	30	0.0	104	0.0	32	0.0
Liabilities due to related parties	20	0,0	424	0.1	300	0.1
Other liabilities	19,239	3.8	20,567	4.0	23,681	4.3
Current provisions	44,443	8.7	48,078	9.5	51,281	9.3
Deferred sales	0	0.0	0	0.0	0	0.0
Tax liabilities	0	0.0	0	0.0	0	0.0
Deferred tax liabilities	30,607	6.0	21,867	4.3	31,508	5.7
Deferred income	3,868	0.8	5,576	1.1	4,738	0.9
	511,878	100.0	508,534	100.0	550,453	100.0

CONSOLIDATED CASH FLOW STATEMENT

for the period October 1, 2003 to March 31, 2004 (previous year for comparison)

IN K€; *IAS/IFRS, unaudited*	Q I 2003/04	Q II 2003/04	Q II 2002/03	H I 2003/04	H I 2002/03
CASHFLOWS AUS BETRIEBLICHER TÄTIGKEIT					
OPERATING EARNINGS / LOSS	8,822	2,929	(3,082)	11,751	10,649
Writedowns on fixed assets	10,279	10,164	9,965	20,443	20,381
Writeups on fixed assets	0	(56)	0	(56)	0
Increase / (decrease) in provisions	(4,905)	(1,213)	709	(6,118)	(2,410)
Increase / (decrease) in deferred taxes	(28)	(687)	1,199	(715)	456
(Profit) / loss from the disposal of fixed assets	37	(623)	(1,181)	(586)	(1,966)
OPERATING EARNINGS/LOSS PRIOR TO CHANGES TO NET CURRENT ASSETS	14,205	10,514	7,610	24,719	27,110
Increase / (decrease) in inventories	1,760	50	6,395	1,810	7,404
(Increase) / decrease in trade receivables	1,440	21,698	18,235	23,138	19,874
Increase / (decrease) in trade payables	(20,027)	(3,349)	(2,868)	(23,376)	(11,614)
(Increase) / decrease in other net current assets	3,285	(3,627)	(7,278)	(342)	(14,989)
CASH AND CASH EQUIVALENTS FROM OPERATING ACTIVITIES	663	25,286	22,094	25,949	27,785
Interest earned	9	17	45	26	73
(Payment) / receipt of income tax	(2,111)	(1,484)	(449)	(3,595)	(1,908)
NET CASH FLOW FROM OPERATING ACTIVITIES	(1,439)	23,819	21,690	22,380	25,950
CASH FLOW FROM INVESTING ACTIVITIES					
Payments made for investments in property, plant and equipment	(7,929)	(5,811)	(9,860)	(13,740)	(18,124)
Payments received from the disposal of property, plant and equipment	186	1,000	3,482	1,186	4,406
Payments made for investments in intangible assets	(97)	(77)	(798)	(174)	(899)
Payments received from the disposal of intangible assets	0	21	5	21	5
Payments made for investments in financial assets	0	0	(1,050)	0	(1,050)
Payments received from the disposal of financial assets	0	0	82	0	82
Payments made for the acquisition of subsidiaries	0	0	(114)	0	(16,078)
Payments received from the sale of subsidiaries	0	0	0	0	962
Dividends earned	0	0	0	0	0
NET CASH AND CASH EQUIVALENTS USED FOR INVESTING ACTIVITIES	(7,840)	(4,867)	(8,253)	(12,707)	(30,696)
CASH FLOW FROM FINANCING ACTIVITIES					
Payments received from additions to equity	313	0	0	313	135
Payments made to company owners and minority shareholders	0	(4,952)	(3,261)	(4,952)	(3,261)
Payments received from the raising of loans	0	10,000	17,200	10,000	17,200
Payments made for the discharge of bonds and loans	(5,422)	(10,505)	(10,942)	(15,927)	(14,333)
Increase / (decrease) in current bank liabilities	20,172	(11,758)	(15,615)	8,414	11,027
Payments received from the raising of other long-term liabilities	6	0	0	6	0
Payments made from the discharge of other long-term liabilities	(783)	(178)	(7)	(961)	(274)
Interest paid	(3,333)	(2,052)	(2,052)	(5,385)	(4,913)
NET CASH AND CASH EQUIVALENTS USED FOR FINANCING ACTIVITIES	10,953	(19,445)	(14,677)	(8,492)	5,581
CASH CHANGES TO CASH AND CASH EQUIVALENTS	1,674	(493)	(1,240)	1,181	835
EXCHANGE-RATE, CONSOLIDATION AND VALUATION-RELATED CHANGES TO CASH AND CASH EQUIVALENTS					
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,865	4,539	4,374	2,865	2,299
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4,539	4,046	3,134	4,046	3,134

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

for the period October 1, 2003 to March 31, 2004 (previous year for comparison)

IN K€; *IAS/IFRS, unaudited*	Issued capital	Share premium	Other retained earnings	Translation provisions	Valuation reserve	Con-solidated profit	Minority interests	Total
Balance on September 30, 2003	18,476	58,133	12,615	(277)	(162)	36,704	(17)	125,472
Mark-to-market valuation of financial assets and cash-flow hedging	0	0	0	0	127	0	0	127
Differences from currency translation	0	0	0	(344)	0	(2)	0	(346)
Profit and loss not shown in the income statement	0	0	0	(344)	127	(2)	0	(219)
Net profit/loss for the period	0	0	0	0	0	3,110	(1)	3,109
Dividends	0	0	0	0	0	0	0	0
First-time consolidation effects	0	0	0	0	0	0	0	0
Capital issued	94	220	0	0	0	0	0	314
Balance on December 31, 2003	18,570	58,353	12,615	(621)	(35)	39,812	(18)	128,676
Balance on December 31, 2003	18,570	58,353	12,615	(621)	(35)	39,812	(18)	128,676
Mark-to-market valuation of financial assets and cash-flow hedging	0	0	0	0	(1,645)	0	0	(1,645)
Differences from currency translation	0	0	0	454	0	23	0	477
Profit and loss not shown in the income statement	0	0	0	454	(1,645)	23	0	(1,168)
Net profit/loss for the period	0	0	0	0	0	(596)	(2)	(598)
Dividends	0	0	0	0	0	(4,952)	0	(4,952)
Acquisition of minority interests	0	0	0	0	0	0	0	0
Capital issued	0	0	0	0	0	0	0	0
Balance on March 31, 2004	18,570	58,353	12,615	(167)	(1,680)	34,287	(20)	121,958

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STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY PREVIOUS YEAR (FOR COMPARISON)

for the period October 1, 2002 to March 31, 2003 (previous year for comparison)

IN T€; *nach IAS/IFRS, ungeprüft*	Gezeichnetes Kapital	Kapital-rücklage	Andere Gewinn-rücklage	Umrech-nungs-rücklage	Bewer-tungs-rücklage	Konzern-gewinn	Minder-heiten	Gesamt
Balance on September 30, 2002	16,312	49,181	12,615	(192)	0	35,159	103	113,178
Mark-to-market valuation of financial assets and cash-flow hedging	0	0	0	0	0	0	0	0
Differences from currency translation	0	0	0	(190)	0	108	(128)	(210)
Profit and loss not shown in the income statement	0	0	0	(190)	0	108	(128)	(210)
Net profit/loss for the period	0	0	0	0	0	4,364	(3)	4,361
Dividends	0	0	0	0	0	0	0	0
First-time consolidation effects	0	10,769	0	0	0	0	0	10,769
Capital issued	39	96	0	0	0	0	0	135
Balance on December 31, 2002	16,351	60,046	12,615	(382)	0	39,631	(28)	128,233
Balance on December 31, 2002	16,351	60,046	12,615	(382)	0	39,631	(28)	128,233
Mark-to-market valuation of financial assets and cash-flow hedging	0	0	0	0	1,880	0	0	1,880
Differences from currency translation	0	0	0	(170)	0	1	2	(167)
Profit and loss not shown in the income statement	0	0	0	(170)	1,880	1	2	1,713
Net profit/loss for the period	0	0	0	0	0	(3,591)	(2)	(3,593)
Dividends	0	0	0	0	0	(3,261)	0	(3,261)
Acquisition of minority interests	0	0	0	0	0	0	0	0
Capital issued	0	0	0	0	0	0	0	0
Balance on March 31, 2003	16,351	60,046	12,615	(552)	1,880	32,780	(28)	123,092

OTHER OPERATING EXPENSES

for the period October 1, 2003 to March 31, 2004 (previous year for comparison)

IN K€; *IAS/IFRS, unaudited*	Q II 2003/04	Q II 2002/03	H I 2003/04	H I 2002/03
Overheads	1,883	1,663	3,696	3,250
Rental and leasing expenses	1,531	1,257	3,057	2,997
Ancillary staff costs	1,768	1,899	3,670	3,785
Maintenance	5,870	5,494	1,519	10,502
Levies and insurance	1,034	1,136	2,101	2,077
Sales and advertising costs	5,570	7,760	11,856	14,660
Administrative costs	2,216	2,682	4,433	5,722
Impairment charges on fixed assets	0	0	0	0
Other expenses	654	808	1,572	1,324
Other taxes	195	235	425	454
	20,721	22,934	42,329	44,771

TOTAL TONNAGE PROCESSED IN THE HIGH PERFORMANCE PRINTING DIVISION

for the period October 1, 2003 to March 31, 2004 (previous year for comparison)

IN TONNES	Q II 2003/04	Q II 2002/03	H I 2003/04	H I 2002/03
Paper supplied by customers	87,299	59,155	205,244	162,004
Paper purchased	38,884	53,295	80,701	106,803
Total tonnage	126,183	112,450	285,945	268,807

In the direct marketing division the indicators “paper supplied by customers” and “paper purchased” are not relevant.

CONSOLIDATED VALUE-ADDED SALES

for the period October 1, 2003 to March 31, 2004 (previous year for comparison)

IN K€; *IAS/IFRS, unaudited*	Q II 2003/04	Q II 2002/03	H I 2003/04	H I 2002/03
Sales	133,109	142,064	293,560	313,533
Change in inventories	350	(3,458)	(1,649)	(5,876)
Own expenses capitalized	6	0	6	0
Cost of raw materials, supplies and goods purchased	(42,726)	(53,056)	(93,649)	(114,630)
Cost of services purchased	(11,684)	(10,854)	(27,867)	(27,064)
Value-added sales	79,055	74,696	170,401	165,963

— EXECUTIVE AND SUPERVISORY BOARD

In the second quarter 2003/04 the members of the Executive Board and of the Supervisory Board did not change.

Exceutive Board: Bernd Rose (Chairman), Nikolaus Broschek, Dr. Uwe Hack, Werner Reiser, Adam Valeri

Supervisory Board: Erwin J. Kiefer (Chairman), Karl-Heinz Gramß (Deputy chairman), Ivan Bebek, Edmund Hug, Sigmund Kiener, Joachim Kohm, Reinhard Löffler, Dr. Herbert Pototzky, Irene Salberg, Michael Schlecht, Reinhold Schreiner, Rudolf Steiner

— FINANCIAL CALENDAR

Interim Report 3rd quarter 2003/04	August 12, 2004

— YOUR CONTACT

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This interim report has been prepared in accordance with IAS 34. It is based on the same accounting and valuation methods as the annual statement of accounts for fiscal year 2002/03. Should there be discrepancies in the interpretation of the German and English versions of this interim report, the German version shall prevail.